

THE TRUTH ABOUT MEDICAID “CUTS”

Medicaid is health insurance for those who can't pay for their medical care on their own. It is a federal/state partnership administered by each state government.

The program was founded in 1965 with a budget of less than \$1 billion. Today, it is more \$185 billion. And worse, it is growing at an average of 7.9 percent each year. This is simply unsustainable.

According to the bipartisan National Governor's Association, Medicaid will begin to bankrupt the states unless some common-sense reforms are enacted.

In December of 2005, Congress passed the Deficit Reduction Act to control costs and reform Medicaid. These changes will slow the rate of growth in federal spending by reducing waste and abuse. Opponents of this measure claim it “cuts” Medicaid funding. In reality, Medicaid spending will still grow by 7 percent (\$66 billion) under the Deficit Reduction Act.

Some of the targeted reforms:

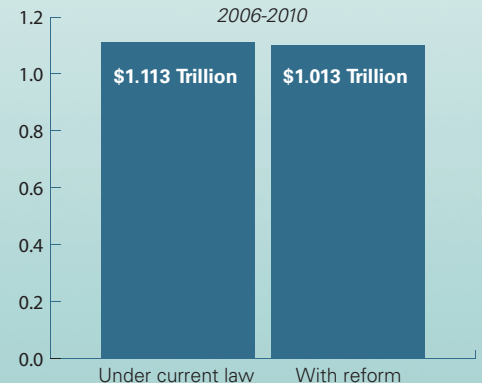
- Realistic payment rates for medicine. The Department of Health and Human Services found in 2002 that Medicaid reimbursements exceeded pharmacists' true costs by a whopping \$1.5 billion. After reform, payment rates will reflect real market values.
- Co-payment for services. Before reform, Medicaid lacked any meaningful co-payment for services, no matter the cost. At one Georgia hospital, 29 percent of emergency room patients were seeking care for common maladies like ear infections and colds. That's roughly 29,000 patients and \$5.6 million in extra costs for 2004 in one ER alone. After reform, states will be able to charge a \$3 co-payment for services. Experts believe this will reduce costs without harm to public health.

Each state implements Medicaid services differently. To learn more about Minnesota's Medicaid program, log on to www.dhs.state.mn.us or dial 800-657-3659.

Only in Washington can a reduction in an expected increase of 100 dollars to an increase of only 96 dollars be labeled a cut.

Medicaid reform is absolutely necessary. Without it, rising costs will bankrupt states and endanger Americans in need of care. We owe future taxpayers and the participants in the program no less.

**Medicaid: Federal Spending
Without and With Reform
2006-2010**



Source: CBO

